


Government of the District of Columbia  
Office of the Chief Financial Officer



**Natwar M. Gandhi**  
Chief Financial Officer

**MEMORANDUM**

**TO:** The Honorable Philip H. Mendelson  
Chairman, Council of the District of Columbia

**FROM:** Natwar M. Gandhi  
Chief Financial Officer 

**DATE:** October 2, 2012

**SUBJECT:** Fiscal Impact Statement – “Clarification of Personal Property Tax Revenue Reporting Emergency Act of 2012”

**REFERENCE:** Draft legislation shared with the Office of Revenue Analysis on September 27, 2012

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**Conclusion**

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the provisions of the proposed legislation.

**Background**

On December 21, 2011, the Council enacted D.C. *Act 19-251, Clarification of Personal Property Tax Revenue Reporting Temporary Act of 2011*,<sup>1</sup> which amended existing law to state that personal property tax<sup>2</sup> is to be reported in the year in which it is collected. Prior to this act, the District budgeted based on the understanding that 25 percent of personal property tax collections are to be allocated to the current fiscal year and 75 percent are deferred to the next fiscal year. With the enactment of *Act 19-251*, no portion of the personal property tax revenue is deferred.<sup>3</sup>

*Act 19-251* will expire on October 6, 2012. The proposed bill and its temporary version will extend the applicability of *Act 19-251* for an additional 225 days.

The District’s personal property tax is levied on the value, after depreciation, of all tangible personal property used in a trade or business, including computers, vehicles, plant, and equipment.

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<sup>1</sup> Effective February 24, 2012 (D.C. Law 19-9; 58 DCR 11209).

<sup>2</sup> D.C. Official Code § 47-1522.

<sup>3</sup> The District currently has the authority to report personal property tax revenue in this manner (D.C. Official Code § 47-501) but the changes made in this bill makes clarifies this authority.

The Honorable Philip H. Mendelson

FIS: "Clarification of Personal Property Tax Revenue Reporting Emergency Act of 2012" Draft legislation shared with the Office of Revenue Analysis on September 27, 2012

Inventories held for sale are not included in the personal property base. The personal property tax is self-assessed for a tax year of July 1 through June 30 each year and the return is due July 31 of that same year (31 calendar days after the end of the tax year). The return reports the property in the District as of July 1.<sup>4</sup>

### **Financial Plan Impact**

Funds are sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the provisions of the proposed legislation. The enactment of *Act 19-251* added approximately \$38.2 million to the District's fund balance in 2011 and FY 2012 and FY 2013 budgets are already based on the assumption that personal property tax is reported in the fiscal year it is collected.

Thus, the proposed bill, which extends the effect to of *Act 19-251*, does not have a fiscal impact.

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<sup>4</sup> D.C. Official Code § 47-1524.